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SENSITIVE
SIPDIS

DEPT FOR NEA/MAG, EEB/IFD/OIA AND EEB/TPP/BTA
STATE PLEASE PASS TO USTR - PAUL BURKHEAD AND MARY LATIMER
USDOC FOR ITA/MAC/ONE ROTH
USDA/FAS ONA FOR CHUCK BERTSCH AND BARBARA CHATTIN
USDA/FAS OCRA FOR CATHY MCKINNELL
USDA/APHIS FOR CRAIG FEDCHOCK AND FAN-LI CHOU

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TAGS: [ETRD](#) [EFIN](#) [EAGR](#) [EINV](#) [MO](#)
SUBJECT: MOROCCO'S PENDING FTA ISSUES

¶1. (SBU) Summary: Minister of Foreign Trade Abdellatif Maazouz convoked the Ambassador (accompanied by AgCouns and EconOff) on December 16 to discuss the evolving post-Free Trade Agreement (FTA) bilateral trade relationship and next steps to advance outstanding implementation issues. Minister Maazouz raised Moroccan concerns about U.S. market access for Moroccan tomatoes and berries, areas of disagreement on administration of transshipment rules and wheat tariff quotas, non-conforming measures in services, and technical assistance. Minister Maazouz expressed the Government of Morocco's (GOM's) overall satisfaction with the FTA, but noted &small technical issues that need to be resolved as soon as possible. The Ambassador highlighted the expected 2009 visit of Assistant United States Trade Representative (USTR) Chris Wilson and the Second Joint Committee meeting as possible forums to address these issues. End Summary.

Proposed Meetings

¶2. (U) The Ambassador opened the discussion by presenting USTR's proposal that new Assistant USTR Chris Wilson make an introductory trip to Morocco in early 2009. The Minister stated his preference that the visit take place in early January, ideally before the Ambassador's departure from Post on January 20. He also noted USTR's proposal to hold the Second Joint Committee Meeting in the spring or early summer ¶2009. Maazouz preferred a spring timeframe, stressing the importance of addressing unresolved FTA issues as soon as possible.

Agriculture and SPS Issues

¶3. (U) Tomatoes: Maazouz stated that the accreditation process to allow tomato exports to the U.S. from the Souss-Massa Region is almost complete after five years. He observed that USDA's Animal and Plant Health Inspection Service (APHIS) has finished its technical review, but inquired about when the new final rules will be published in the Code of Federal Regulations. The GOM is eager to know when producers from the Agadir region can begin to ship their tomatoes to the U.S. market, he concluded. AgCouns told the Minister that the change of U.S. Administration might delay the publishing process of the rules until next spring. The new regulations will require that APHIS visit and approve the

tomato greenhouses eligible to export to the U.S. AgCouns suggested that the GOM should very soon start identifying potential producers/exporters to expedite the APHIS inspections as soon as possible following publication of the regulations.

¶4. (U) Blueberries/Raspberries: Maazouz acknowledged USAID,s technical assistance to Morocco regarding blueberry and raspberry exports to the U.S. In September 2008, Maazouz recalled, the GOM submitted a technical proposal requesting APHIS to add these berries to the list of products eligible for entry to the U.S. The GOM strongly desires that APHIS process the berry request more quickly than the ongoing tomatoes case, Maazouz said, and Morocco is ready to receive an APHIS risk assessment team as soon as possible to expedite the review process. AgCouns informed the Minister that the Foreign Agricultural Services (FAS) stands ready to work closely with APHIS to facilitate the inspection process, and undertook to explore with APHIS the feasibility of the Ambassador,s suggestion to combine the APHIS visits to approve the tomato greenhouses and conduct the risk assessment for the berries.

¶5. (SBU) Olives and Wheat: The GOM is still waiting for a USG response to its request to accelerate the tariff reduction to the one olive line item, Maazouz stated. Recalling USTR,s March 2008 letter regarding wheat Tariff Rate Quotas (TRQs), Maazouz reminded the Ambassador that the GOM sent an official response to USTR last week. AgCouns acknowledged that the response has been received and told the Minister that the USG is reviewing the letter. Maazouz emphasized the GOM,s desire to change the common wheat TRQs year from a calendar year basis, as stipulated in the FTA text, to a marketing year basis to facilitate the use of the quotas.

Customs Matters

¶6. (SBU) Transshipment: Maazouz and the Ambassador reviewed the different U.S. and Moroccan interpretations of points of origin for goods that undergo transshipment. Maazouz reiterated that the GOM believes only shipments that depart the U.S. following an order from a Moroccan customer (as reflected in an invoice or bill of lading) may benefit from the FTA provisions if they transit a third country. Bilateral Trade Director Souad Benanni stated that the text of the accord is clear on transshipment matters, and asserted that the U.S. was responsible for including provisions regarding direct shipment in the FTA. Nevertheless, Minister Maazouz agreed that the U.S. position on transshipment is logical, but said the GOM is concerned that products entering Morocco from a third country would carry greater risks of disease or spoilage. He urged the USG and GOM to find a &mutually agreeable solution8 to the disagreement. The Ambassador noted that U.S. trade officials accord direct shipment treatment to Moroccan goods that are first exported to Europe before distribution to U.S. retailers and the USG does not expect or observe greater risks from these products.

Other Issues

¶7. (U) Non-Conforming Measures in Services: The GOM awaits a response to the revision in Morocco,s schedule of non-conforming measures in services, Maazouz observed. He pointed to the April 2008 letter of former Assistant USTR Shaun Donnelly undertaking to finalize the issue through an exchange of letters within weeks. Morocco hopes this issue could be resolved before Wilson,s visit to Morocco.

¶8. (SBU) Technical Assistance: Maazouz expressed concern that MEPI funds for FTA technical assistance may not be available in 2009. EconOff informed the Moroccans, as indicated by prior communications through USTR, that MEPI plans to fund the FY 2009 technical assistance work plan

developed by the Commercial Law Development Program (CLDP) in consultation with the GOM and USTR. However, she continued, the USG and GOM need to consider other possibilities of securing funding for FY 2010 and beyond. The Ambassador, AgCouns and Econoff also reviewed other ongoing and potential USG-funded technical assistance programs, such as customs controls training, USAID programs, and technical assistance and capacity building programs through FAS.

Hoping to Resolve Issues through Visits

19. (SBU) Despite specific implementation concerns, Minister Maazouz judged the overall results of the FTA in strengthening trade, market access, and investment as positive. Total bilateral trade has more than doubled since the FTA entered into force and 2008 has been the best year yet for Moroccan exports to the U.S. Moroccan exports for the first ten months of 2008 were 50 percent higher than total 2005 exports (USD 520 million in 2005 versus USD 749 million in the first 10 months of 2008). The outstanding issues are small in comparison to the overall success of the FTA, Maazouz said. Unfortunately, he opined, the USG and GOM have taken a stance on the remaining issues as if the discussion were a boxing match where each party must defend its stance and not back down. Maazouz asserted that we must consider each other's viewpoints in order to come up with an agreeable solution to the pending issues. The Ambassador closed the meeting by promising to present to USTR the GOM concerns, in particular getting an update on the non-conforming measures in services and the exact dates of Assistant USTR Wilson's trip to Morocco.

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Riley